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IN THIS ISSUE

DATA DRIVES DECISIONS: THE SCIENCE OF HAPPINESS

Michael Preto, CFP®, CIM®

When you think of success, what comes to mind? How should we measure success? Where does money fit into the puzzle? These are big questions, and the answers will vary depending on who you ask: I think Donald Trump's answer would be different than the late Thich Nhat Hanh's (a Vietnamese monk and acclaimed author who died earlier this year). At Hillside, we would argue success is achieved when you are happy with the life you are living.

The correlation between money and happiness is not completely linear, and in some cases, it's negative. If you work at something you'd rather not be doing only because it pays more than doing something you love - you're likely less happy with more money.

Scientists have studied happiness and how we can achieve more of it. The evidence states money is part of the picture. After all, we all need a place to live, food to eat and clothes to wear. Here are some other key takeaways from the various reports, documentaries, podcasts and books I've consumed over the years:

1. The law of diminishing returns is alive and well when it comes to money. Generally, the more money you have, the happier you are; however, once your earnings hit a certain level, the level of happiness tends to plateau.
2. If you have extra money, spending it on experiences as opposed to things will bring you more happiness.
3. Too much debt will decrease your level of happiness.

We have baked all of this into the Hillside Navigator, our retirement planning process. We want to make sure you have enough to live a comfortable life, and financial independence is the top priority. ***Then we want you to think about what you'd love to do and what matters most to you.*** In other words, what would make you happy - *really happy*? This is the Dreamscaping piece. If you have yet to take part in our Dreamscaping session, here's some of the big questions we tackle:

1. What experiences would have a *life-changing impact* on you and why?
2. What do you *cherish most in life* and why? What would you like to do to honour it?
3. What does a *fulfilled life* look like to you?

We've asked a lot of people these questions and we're going to ask many more. Everyone's answers are unique and there are also commonalities. People want to spend their time and money with the people they love, with their family (whether biological or not). This speaks to the importance of healthy


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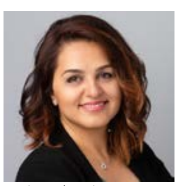
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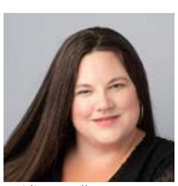
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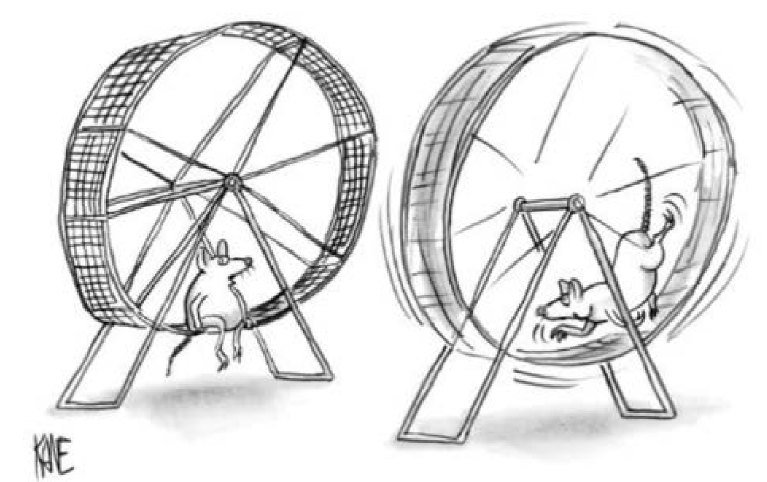
relationships contributing to happiness and spending more time with the people you care about. Relationships matter, a lot, and the flipside of the same coin is loneliness kills.

According to Scientific America, loneliness has been estimated to shorten a person's life by 15 years, equivalent to being obese or smoking 15 cigarettes/day. An estimated 47% of Americans and 40% of people in the U.K. feel alone. The U.K. Government has created a Minister of Loneliness to deal with the problem. This is all to say having meaningful relationships is critical to living a happy life. You can be alone while living with other humans. And you can feel incredibly connected living alone. The key is to have meaningful connections with other humans. This isn't necessarily an easy ingredient to attain, and the pandemic hasn't helped, but a little intention goes a long way.

We are strongly committed to Dreamscaping. If you take the time away from your day-to-day activities (which sometimes make us feel like we're on a hamster wheel) to reflect on what matters most, you will be rewarded.



"I had an epiphany."

Figuring out what you want to do with your money is the first step. And not always an easy one. Many people struggle to really decide what their dreams are, and that's okay. Start small, work slowly - this is not a race. In all likelihood, this will involve spending time with people you care about while doing something you enjoy.

The next step is finding the time, or the right time. Time is your non-renewable resource and allocating it wisely makes a lot of sense.

With intention and focus, money can help you spend more time with the people you love. This investment of your time and money will bring you more mental and physical well being and strengthen the correlation between money and happiness.

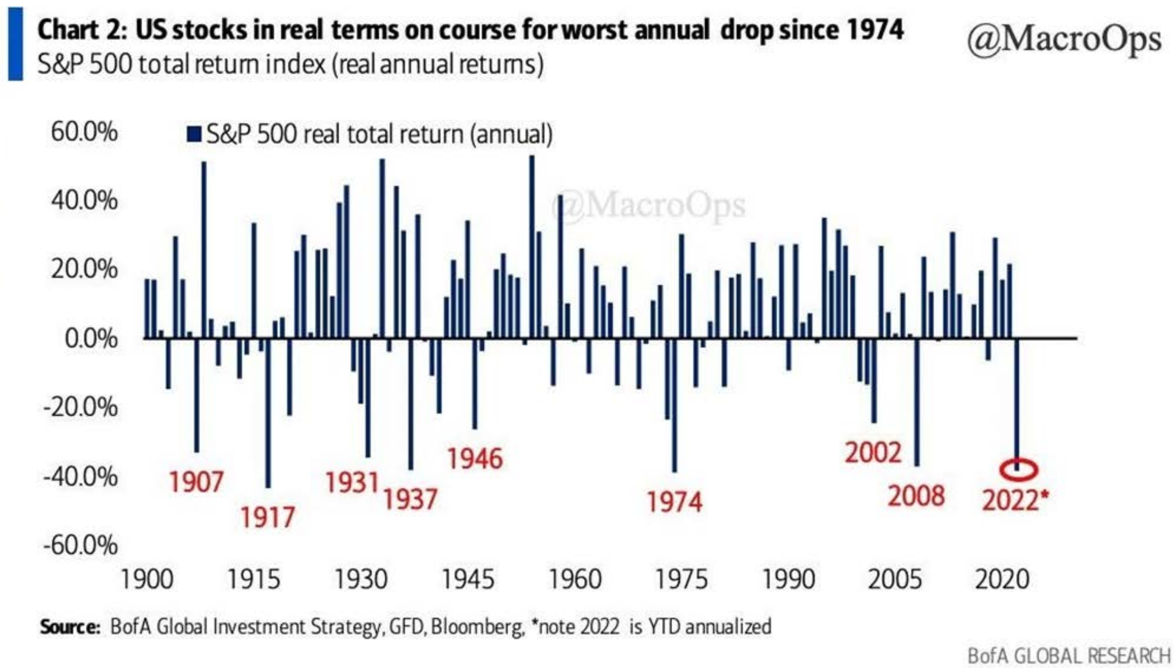
PORTFOLIO UPDATE: MENTAL STRENGTH FOR MARKET STORMS

Jason Del Vicario, CFA®

We have a collection of philosophies and commitments that form the foundation of our practice - we call this our ***Hillside Blueprint***. This month we are highlighting our commitment to promote physical, mental and family well-being. While we have written about physical and family well-being in the past, I have not ever discussed mental well-being as it pertains to one's portfolio and financial assets.

As we're all aware, we are currently experiencing difficult financial markets. Let's put these into a historical context and help define ***how bad:***

- US stocks, in real terms, are on course for their worst annual drop since 1974,
- The world government bond index on course for its largest drop since 1920, and
- 10-year Treasuries have had their worst start to the year since 1788!



Whether via television, internet or even the real-time reporting of our portfolios on the client portal we are constantly reminded of the current ebbs/flow. The primary reason is inflation remains stubbornly high, central banks are behind the curve, and the market is predicting rates are going to have to rise dramatically to subdue inflation. As we've written about in the past, one values a cash flow producing asset (stock, bond, real estate, business etc.) by estimating future cash flows and discounting them back to present value using a discount rate. If interest rates go up, the discount rate rises and present values drop and vice versa. We are seeing the markets re-price risk assets in the context of higher interest rates. This is not the first time rates have experienced a rising cycle nor will it be the last. As a reminder we are NOT market timers; it is impossible to do this well consistently. Rather, we choose to focus our efforts on activities within our control; namely sourcing and analyzing businesses to own in our model portfolios. We look forward to updating the 'look through' analysis of our collection of businesses (your portfolio!) during our next portfolio review webinar in June.

All risk assets are affected by this. For example, our homes are probably worth 15-20% less than the

OUR DREAMSCAPE PROCESS IS NATIONAL NEWS!

We are thrilled to share that Mike was recently interviewed by **The Globe and Mail** and discussed how the dreamscaping "inspires clients to set a lifestyle goal and make it happen."

Read the FULL ARTICLE HERE.

recent peak of the latest real estate run which ended ~Jan/Feb 2022. A house that would've sold for $2m a few months ago now sells for $400k less. What if, every day, you were presented with this reality? How would this make you feel? I suspect many of us haven't given real estate values a second thought because it isn't thrown in our faces daily and we have no intention of selling. Furthermore, we need a place to live! Your financial assets are no different, you aren't selling them (all) tomorrow AND you need them to fund your financial goals. As we've covered many times previously, bonds and cash are likely to perform very poorly in real (adjusted for taxes/inflation) terms going forward. While they may be less volatile than stocks (2022 YTD aside) the 'cost' of greater real returns that can be had owning businesses (stocks) producing healthy and growing cash flows, is volatility.

Ok, so we know that owning pieces of above average performing businesses is going to get us to where we want to go; but how do we emotionally and mentally deal with the volatility? I cannot speak for everyone but let me share with you how I personally deal with this. Please remember that my family's money is invested right alongside yours. Sabrina and my accounts are invested in the Focused Model. I am reminded of the Hair Club for Men guy: I'm not only the Hair Club president, but I'm also a client! Our 4 boys have recently raised $1k by collecting cans and bottles and we invested their money in shares of Topicus which we all hold. I recently featured this activity on a LinkedIn Post you may enjoy reading. If you'd like to get your kids or grandkids involved, please do not hesitate to reach out and I'll gladly share some tips! I know what you're thinking… yes, we pay fees too!

I digress… having personally been investing since the age of 15, I have come to understand and appreciate that markets go up, markets go down but that over the long term well selected equities go up. To the extent that I am going to be investing for another few decades markets dropping represent an opportunity for us and falling markets excite me as I'm able to accumulate more shares at cheaper prices. From a Hillside perspective I can assure you Steven and I are finding a lot more opportunities now than we were in 2021.

This is not the first time we are weathering stormy markets, nor will it be the last. Having read Mike's article, may I suggest we all engage in activities and relationships that make us happy? If looking at our portfolios daily isn't making us happy, let's do something else!

On the flipside, if we find looking at our portfolio daily is making us extra happy, I suggest doing something else because that short term happy jolt won't last. Let's all commit to engaging in activities and relationships that provide lasting happiness. I would say the optimal frequency of checking one's portfolio is annually, much like the property assessment you receive in the mail annually.

MORE NEWS, VIDEOS & INSIGHTS

Follow Hillside Wealth Management on LinkedIn for our latest updates and news, including a number of videos on a variety of investing topics

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Let's remember of Hillside's three rules on investing:

1. No long-term money in cash.
2. No short-term money in equities.
3. Do NOT look at your portfolio frequently.

These [Top 5 Investing Quotes Every Investor Should Know] have some great illustrations and to have on hand during periods where the world and financial markets seem upside down, and provides some thoughtful data to support these wise words:

1. THE MOST IMPORTANT QUALITY FOR AN INVESTOR IS TEMPERAMENT, NOT INTELLECT.
   - Warren Buffett
2. THE INDIVIDUAL INVESTOR SHOULD ACT CONSISTENTLY AS AN INVESTOR AND NOT AS A SPECULATOR.
   - Benjamin Graham
3. THE BIGGEST RISK OF ALL IS NOT TAKING ONE.
   - Mellody Hobson
4. TIME IN THE MARKET BEATS TIMING THE MARKET.
   - Ken Fisher
5. IT IS BETTER TO BE ROUGHLY RIGHT THAN PRECISELY WRONG.
   - John Maybar Keynes

THE HILLSIDE FACTOR(Y) FOCUS: MARKET DOMINATION + UNDER-PENETRATION = OUR FAVORITE GROWTH SCENARIO

There are a bunch of ways for a business to grow – e.g., it can enter a new region with an existing product, launch a new product in the current market, or capture market shares from its competitors in the same industry and region. However, none of these scenarios would excite us the most. Think about this for a minute – there is the uncertainty for the new product to work out well economically; the current competitive advantage may not apply so well to the new region; competition for market shares could heat up, resulting in a lose-lose situation for shareholders of all players in the market.

The business world is filled with surprises. As equity investors, we like to limit downside risks while exposing ourselves to as much upside as possible. When it comes to growth, the most appealing scenario to us would be a market dominator in its target space with vast long-term growth potential. Two key factors here: 1) market dominator – we hope to see not only a market leader but also at least close to 50% market share in most cases; 2) growth potential – one dimension to gauge this with decent predictability is the market penetration. Simply put, we look for “top dogs” in areas that are emerging, rapidly-developing, and significant-to-be.

HILLSIDE TALKS ABOUT PREMIER ANTI-AGING

We want to give our readers some insight into the Hillside Factor(y) and this month, we are highlighting Premier Anti-Aging, based in Japan.

Learn more about what Steven, Mike and Jason had to say about this company and their products in this video about Premier Anti-Aging.

To demonstrate, let's take a look at three of our portfolio companies -

Sweden-based Evolution Gaming mainly provides live casino games technology and content to online casino operators. The company dominates the B2B market with a more than 70% share in Europe and close to 100% in the US. Meanwhile, both the online casino market and the live casino sub-market are under-penetrated, accounting for 22% and 7% of the total casino market, respectively, according to our calculation. Additionally, our data points to only a high-single-digit penetration rate for the North American online casino market, which has been opening up over recent years and a strategic focus for Evolution Gaming over the medium term. We would not be surprised to witness the persistent extension of double-digit annual growth rate in the space where the company operates into the next few years to come.

Likewise, Egypt-based Integrated Diagnostics is the dominator in its area – diagnostic services industry. The female-led company controls over 50% of the private-sector market in Egypt, where there are less than 3 lab tests per capita compared to around 10 in Oman and Saudi Arabia and over 20 in the US.

As our last example, Kazakhstan-based Kaspi.kz is the only "super app" (think about a mobile app that covers all the functions of Amazon, Paypal, Booking.com, Yelp and so forth) in its home country. Based on our calculation, the company's monthly user base captures more than 55% of the internet population in Kazakhstan. The platform is literally part of people's daily life – over 60% of the total value of all merchandise purchased online, nearly 70% of all digital payment transactions, and more than 30% of all consumer loans are processed by Kaspi.kz. Despite the high-flying market share figures, we believe the company still has its best days in front of it in light of the massive growth runway of the relevant verticals – for example, e-commerce only represents 5%-7% of the total retail market in Kazakhstan, compared to almost 30% in China; consumer loans contribute to less than 7% of the country's GDP, compared to nearly 24% in China and 18% in Brazil.

As a caveat, it is worth mentioning growth scenario is only one of the many factors that we evaluate regarding an investment target. Among other things, durable competitive advantage, return on capital, balance sheet, cash conversion, management quality, and valuation still matter despite how powerful the growth prospect may appear. So do not hold your breath waiting for Telsa, arguably the top dog in the emerging EV market, to appear in our portfolio. We strive to make long-term investment decisions through our comprehensive understanding of the target company, industry, and market. In terms of the three companies above, we had the opportunity to "e-meet" all the management teams this year (some of them even multiple times) to discuss various topics, including but not limited to growth.

APRIL 2022 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to April 29, 2022	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception **
Hillside Conservative Growth*	**-10.39%**	**-2.24%**	**-6.94%**	**-0.97%**	**5.18%**	**5.89%**	**6.82%**
HCG Benchmark[1]	*-9.84%*	*-4.83%*	*-8.47%*	*-5.44%*	*3.11%*	*3.64%*	*3.99%*
Hillside Balanced Growth*	**-11.48%**	**-2.05%**	**-7.67%**	**0.41%**	**6.36%**	**7.32%**	**9.10%**
HBG Benchmark[2]	*-9.85%*	*-5.25%*	*-8.56%*	*-4.76%*	*4.27%*	*4.68%*	*4.75%*
Hillside Focused Growth*	**-15.52%**	**-2.07%**	**-10.23%**	**-2.95%**	**7.38%**	**7.47%**	**8.82%**
HFG Benchmark[3]	*-9.70%*	*-6.49%*	*-8.21%*	*-0.73%*	*8.40%*	*8.03%*	*7.50%*

Past performance is not an indication of future returns.

* Performance is presented gross of fees. **Inception: Sept 2, 2014. Results beyond 1 year are annualized.
[1] Hillside Conservative Growth Benchmark: 100% Vanguard Conservative ETF
[2] Hillside Balanced Growth Benchmark: 100% Vanguard Balanced ETF
[3] Hillside Focused Growth Benchmark: 100% Vanguard All-Equity ETF

Source: SIACharts.com

The performance presented in this portfolio report is hypothetical and does not represent a specific client account. Details regarding actual returns of an investment account are available from the client's advisor.

Performance is calculated using month-end market values of the model portfolio. Since we use a model portfolio to calculate performance there are no client-initiated cash flows (deposits/withdrawals) to account for. Performance is calculated by dividing the change in the model portfolio's market value by the model portfolio's market value at the beginning of the performance period. Also, all income generated by the portfolio's holdings are held within the model portfolio in cash and is accounted for in the portfolio's month-end market value - this results in a total return measure of the model's performance.

Returns for periods less than 1 year are shown as periodic returns while returns for periods greater than 1 year are annualized. Returns do not include fees and actual returns experienced by an investor may differ from those shown. Past performance is not a guarantee of future results.